



Author: Mike Gorlon

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Company: Evolution Gaming (OTCMKTS:EVVY)

Recommendation: Buy

Market Capitalization: \$19.9 billion

Enterprise Value: \$19.5 billion

Current Price per Share: \$93.49

Target Price per Share: \$176.76

Expected Return: 89%

Disclosure: I have an ownership position in shares of Evolution Gaming at the time of writing.

Elevator Pitch

Evolution is a leader in the live dealer, game shows, and slots portion of the iGaming industry with its high returns on capital and its wide moat. There are high barriers to entry into the live dealer market due to the difficulties of setting up live video streaming and scaling the business. Evolution developed a large lead on their competitors after perfecting live streaming and building out the operations to make it easy to scale. This is making it very hard for their competitors to catch up.

Evolution is also a pioneer in developing new games. They developed the very popular game show category which wasn't around until Evolution created it. The combination of their slot offerings, popular game show titles and live dealer offering give them a large portfolio of games that players love. This gives them a huge advantage in switching-costs when dealing with operators because the players gravitate toward Evolution's offerings and if an operator doesn't use Evolution, then the players will switch to an operator that does.

The iGaming industry is in the early innings of expansion as countries around the world are legalizing it. The U.S. and Latin America are expected to be a huge market for Evolution over the next ten years and Evolution is well prepared to capitalize on these huge opportunities.

The company has a solid balance sheet with lots of cash and no debt. Meanwhile, profit margins are above 50% and returns on capital are right below 20%. The company currently trades at a TTM P/E multiple of 27x, a very low multiple for a company with a wide moat and a huge opportunity ahead. The company continues to grow and on the Q1 22 earnings call, management guided for their EBITDA margin to stay between 69-71%. The forward P/E multiple is only 23x.

Business Background

Evolution Gaming is a supplier of live casino and slots solutions to gaming operators. They have a long list of table games that include roulette, Texas hold'em, craps, dragon tiger, baccarat, blackjack, dragon tiger and super sic. These table games are streamed in real-time from casino tables that are operated by live dealers in Evolution's studios. Players can play on their computers, smartphones, and tablets. 69% of gaming revenues from Evolution's platform came from mobile devices in 2021.

Evolution also has a list of many [other popular games](#) that include slots and game shows. Game shows are a new type of game that was created by Evolution and have now become one of the industry's most popular types of games for live casino. One of their most popular game shows is called Crazy Time, shown in **Exhibit A**. Other game shows they offer are Cash or Trash, Gonzo's Treasure Hunt, Monopoly Live, Lightning Roulette, Mega Ball, and Deal or No Deal.

Exhibit A: Crazy Time



Source: Evolution Website

Evolution [makes money](#) from fixed fees and from a percentage of the gaming operators' gross gaming revenues¹. Evolution currently operates around 1,000 tables. A list of some of their [customers](#) is shown in **Exhibit C**. Their revenue is divided into Live and RNG.

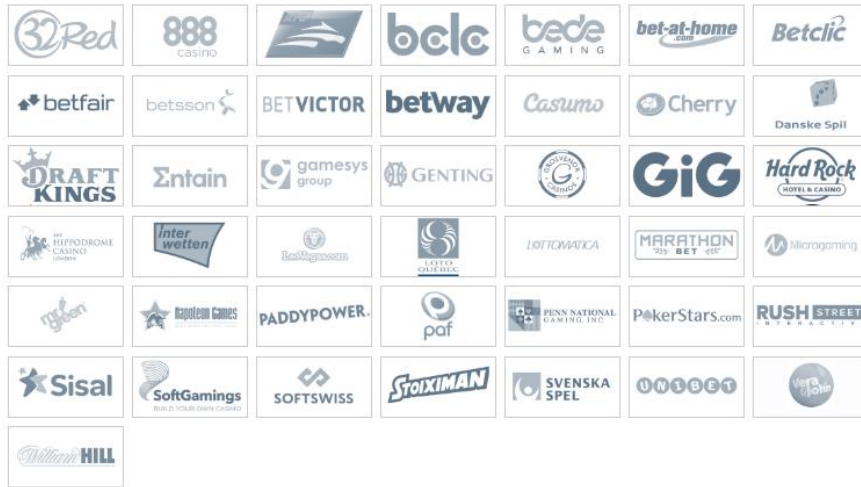
Exhibit B: Revenue Model



Source: Company Website

¹ Gross gaming revenue is the amount of money wagered by players minus payouts to the winning players.

Exhibit C: Customers



Source: Company Website

Live Revenues

Live revenues consist of traditional table games and game shows. Traditional table games include blackjack, baccarat and many other titles. Evolution's acquisition of Ezugi helped expand their live casino offering. Game shows include popular titles such as Monopoly Live, Deal or No Deal Live, Crazy Time and many other titles.

Live revenues make up the majority of Evolution's total revenues. Live revenues were 839 million in 2021 and 543 million in 2020. Live revenues have been growing a lot recently but they have been falling as a percentage of total revenue following Evolution's expansion into RNG through acquisitions. In 2021, live revenue made up 79% of total revenues and in 2020, live revenues made up 97% of total revenues.

Exhibit D: Game Shows and Traditional Table Games



Source: Company Filings

Random Number Generator (RNG) Revenues

RNG revenues consist of slots and some table games. Some of the table games can be played live as well by simply clicking a “Go Live” button on the user interface. This will transition the gameplay into the live version of the same game. Some of the table games that are included in the RNG segment are roulette, baccarat, and blackjack. These games also have an option to be played live as well.

The acquisitions of NetEnt and Red Tiger helped expand their RNG table games and slots offering. Some of the slot offerings that Evolution has are shown on the right side of **Exhibit E**. Evolution acquired Big Time Gaming in April 2021 to help expand their slots offering. RNG revenues in 2021 were 229 million and 17 million in 2020, making up a much smaller percentage of total revenues than the live segment. The large increase in RNG revenues was due to the acquisition of Big Time Gaming in 2021. RNG made up 21% of total revenues in 2021, and in 2020, it made up 3% of total revenues.

Exhibit E: Table Games and Slots



Source: Company Filings

Management & Capital Allocation

Martin Carlesund is currently the CEO of Evolution. He has been employed at Evolution since 2015. Some of his [past leadership roles](#) include CEO of Eniro Sverige AB, CEO of Highlight Media Group LLC, CEO of 3L System AB and CEO of Eniro Finland Oy. According to the [company's website](#), Martin owns 458,923 shares of the company or .2% of the total outstanding shares, valued at \$42.9 million.

Evolution has been very strategic at allocating capital toward acquiring companies and reinvesting back in their business for growth. They have high returns on capital which allow them to earn lots of cash flow and use it to acquire companies with cash as opposed to issuing debt or equity. They have kept their shares outstanding steady except for 2021 when they used some stock [to acquire Big Time Gaming](#). The shares were issued at EUR 126.72², a much higher share price than today. They also have deep industry knowledge on which competitors are performing well and which competitors are the right fit for their company.

² Based on the EUR: USD exchange rate of 1.20, I calculated this price per share to be around \$152 in USD.

Exhibit F: Basic and Diluted Average Shares Outstanding (in millions) And Total Debt

	2017	2018	2019	2020	2021
Basic Weighted Average Shares Outstanding	179.9	179.9	180.7	183.9	213.7
Diluted Weighted Average Shares Outstanding	181.7	182.6	183.4	189	221.8
Short-Term and Long-Term Debt	0	0	0	0	0

Source: SeekingAlpha

One negative about their capital allocation policy though is their dividend payout. Evolution pays out 50% of their earnings as a dividend despite having lots of opportunities to reinvest that capital at high rates. The 50% dividend payout could be because of their background as a Sweden-based company. I believe it would be better for Evolution to retain the dividend and reinvest it back in the business or to make other acquisitions as opposed to paying it out to shareholders, but I don't expect a change to the dividend policy at the moment.

Exhibit G: Dividend Payout

	2017	2018	2019	2020	2021
EPS	0.41	0.53	0.93	1.89	3.22
Dividend	0.22	0.27	0.47	0.83	1.62

Source: SeekingAlpha

Evolution has also repurchased shares recently. In Q1 22, Evolution acquired 747,000 of its own shares. On December 3, 2021, the company announced a repurchase program. Evolution disclosed in their Q1 22 interim report that the repurchase program is now complete. A total of 1,905,865 shares were acquired. Evolution mentioned in their annual report published on March 18, 2022 that the average price of the 747,000 repurchased shares were acquired at an average price of SEK 1068.

At today's current exchange rate of .10 USD: SEK, SEK 1068 is equivalent to an average price of \$107.17 or a TTM P/E multiple of 31x. 31x is a pretty good multiple to pay for a company with such high returns on capital and high growth, but keep in mind that after the recent price drop on June 10th, the multiple is even lower. The TTM P/E multiple for the ADR shares (Ticker: EVVTY) is currently only 27x. See the Valuation section further down for more discussion on this.

Acquisitions

NetEnt

NetEnt has been operating for over 20 years in the industry. They are one of the biggest providers of video slots, giving Evolution a good compliment to their live dealer and game show offerings. According to NetEnt's [company website](#), they handled 58.3 billion gaming transactions in 2019. Some of NetEnt's free offerings that include Knight Rider Video Slot, Starburst XXXtreme, Starburst, Divine Fortune, Dead or Alive 2, Gonzo's Quest and others can be played at the following link: <https://games.netent.com/>.

Red Tiger

[Red Tiger](#) is a casino game developer of slots that was founded in 2014. They have a strong track record in Europe and Asia. Red Tiger was [acquired](#) by NetEnt for \$271 million at a multiple of 12x 2019 EBITDA, so it came with Evolution's acquisition of NetEnt.

Ezugi

Evolution [acquired](#) Ezugi in 2019 for up to \$18 million. [Ezugi](#) was founded in 2012 and provides live dealer gaming for mobile and web. They distribute to betting shops, online operators, and land-based casinos. Evolution's acquisition of Ezugi was a strategic one for them because Ezugi was there only competitor at the time in live dealing. Ezugi also had a presence in the U.S. since 2016 so this helped Evolution expand into the U.S. while decreasing competition.

Big Time Gaming

BTG was [founded](#) in 2011 and is based in Australia as a developer of online slots. Some of their most popular slot offerings are Bonanza, Extra Chilli and Megaways. Evolution Acquired Big Time Gaming in April 2021 to expand their slot offering. They [paid €450M](#) to acquire them.

DigiWheel

[DigiWheel](#) was acquired by Evolution in 2021. They created the world's first patented HD spinning game-wheel. DigiWheel makes the player experience a lot more immersive when playing games that involve using a wheel. DigiWheel is [incorporated](#) in some of Evolution's most popular games such as Dream Catcher and Crazy Time.

Thesis

The online gambling industry has seen a tremendous amount of deregulation over the last five years, creating a large opportunity for Evolution as more and more jurisdictions around the world legalize online gambling. **Exhibit H** shows the new markets that Evolution has expanded into over the last ten years, but this is only the beginning. Evolution sees huge opportunities in Latin America and in the United States. They are only in four states (CT, MI, NJ, PA) in the U.S. right now but have plans to expand as more and more states legalize online gambling. The Connecticut studio hasn't opened yet, but it is expected to open this year.

Evolution has plans to expand in South America also. The CEO thinks Latin America will be a good and large market for Evolution in ten years.

Here is what he said on Evolution's Q1 22 earnings call:

"If we put the timing aside and I think long term, [Latin America is] a phenomenal interest, phenomenally interest in market, actually great potential. And it starts to move with Argentina, Columbia, and now talks in Brazil. And there are provinces and regions and a little bit of challenges when it comes to regulatory aspects. But because each of the regions or products that maybe want to regulate on that. But it's a phenomenal market. I mean if we go out 10 years, I think that Latin America would be a good market and a large market for Evolution."

Latin America is a huge opportunity for Evolution as more and more countries legalize online gambling. Evolution [launched](#) its live casino games portfolio in the Buenos Aires Province of Argentina in

December 2021. Brazil hasn't legalized live casino yet but could do so in the next five years. Evolution is [committed](#) to offering their games there when it does.

Exhibit H: Expansions in Regulated Markets

EXPANSIONS AND LAUNCHES	
Evolution's expansion in regulated markets	
2011	Italy
2012	Denmark
2013	Spain
2014	Malta
2015	United Kingdom
2015	Belgium
2016	Bulgaria, Hungary, Romania
2017	Serbia
2018	Canada, Georgia, New Jersey (USA)
2019	Estonia, Latvia, Sweden, Switzerland
2020	Colombia, Lithuania, Pennsylvania (USA)
2021	Alberta (Canada), Ontario (Canada), Greece, Michigan (USA), Connecticut (USA)

Source: Company Filings

Financials

Evolution Gaming is in a solid financial position. They have \$486 million in cash and equivalents, no debt and a very profitable business that is growing at a high rate. Over the last three years, they doubled earnings from each previous year. They earned \$689 million in 2021, \$347 million 2020, and \$167 million in 2019. Their net profit margins, shown in **Exhibit I**, were above 40% in 2019 and above 50% in 2020 and 2021, demonstrating impressive operating leverage and an enviable capital-light business model. Cap ex made up less than 5% of revenues in 2020 and 2021.

When asked about their margin for 2022 on the most recent earnings call, Evolution's CFO confirmed that the margin will stay at its current high level of 69-71%:

"Yes, it will be a little bit – we won't say room on the upside today. So it's a – the guidance is in that range. 69% to 71%. And we think that incorporates some of the cost increases that we see in many areas, as we mentioned."

I expect Evolution's strong market position to continue due to the strong lead they have on competitors in their industry. Their business model generates a lot of cash enabling them to make strategic acquisitions and reinvest the excess cash at high rates of return even after paying out 50% of earnings to shareholders as a dividend.

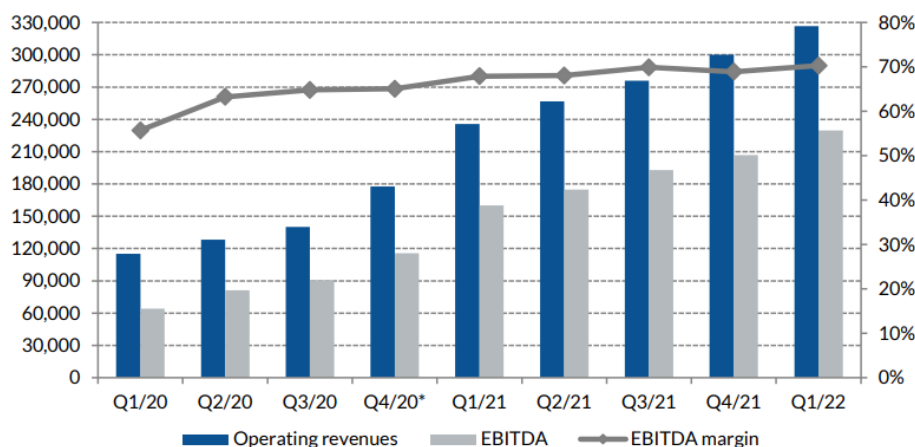
Exhibit I: Operating and Profit Margins

	2017	2018	2019	2020	2021	TTM
Revenue	100%	100%	100%	100%	100%	100%
Gross Profit	100%	100%	100%	100%	100%	100%
-SG&A	-40%	-40%	-35%	-24%	-19%	-19%
-Depr/Amor	-8%	-7%	-7%	-6%	-8%	-7%
-Other	-14%	-16%	-15%	-17%	-12%	-11%
-Total Op Exp	-63%	-64%	-57%	-46%	-39%	-38%
Operating Income	37%	36%	43%	54%	61%	62%
Net Income	35%	34%	41%	51%	57%	58%

Source: Company Filings

Exhibit J: Quarterly Trends for Operating Revenues, EBITDA, and EBITDA Margins

Quarterly results trend



*Q4/20 adjusted for non-recurring items

Source: Company Filings

Moat – Barriers to Entry, Scale and Switching Costs

Some of Evolution's competitors are Playtech, Pragmatic, Microgaming, XPG and Vivo Gaming. Scientific Games announced that they will enter the live casino space also, but they will be far behind Evolution.

Operating a live casino game isn't an easy task since it requires setting up a live video stream that doesn't have any lag. A good video stream makes the experience a lot better and more importantly, it makes the players feel they aren't being cheated. Any lag will hurt the player experience and it could hurt their trust, therefore, the operators have to work with the suppliers that have the best games and the best performance, even if that comes at a higher cost.

Employees who worked or are currently working in the industry have discussed the high barriers to entry for a new company trying to compete with Evolution's live dealer offering. Competing with

Evolution requires a lot of experience, expertise and trial and error of perfecting the video streaming process.

Here is a quote from an [In Practise interview](#) with a Commercial Director at an operator who works with Suppliers:

“There is no space for an operator like us – or even a land-based casino in the U.S. – to make the investment and develop their own live casino offering. Everything is possible but it will be too expensive and acquiring the competence to do that is difficult. Today, the suppliers who do it are too efficient to consider doing it on your own, even if you are land-based casino who already has the space and the studio... They need to have the knowledge and competence to optimize streaming and ensure all tables are set up to deter cheating. It is too expensive and requires specialist skills and knowledge so I do not foresee that happening.”

In addition to barriers-to-entry, Evolution is also developing a scale advantage. After getting past the initial difficulty of perfecting the video streaming process, a competitor needs to understand how to scale the operation. Evolution has thousands of employees and they have their own training academy for dealers. The large number of employees, technology and academy are some of the reasons that give them an advantage in being able to scale their operations much quicker than new entrants and competitors.

Here is a quote that describes Evolution’s scale from an [In Practise](#) interview with a Former Director who worked at a competitor to Evolution:

“To scale to the same level as Evolution, you need to have the same operational part. You can easily replicate software but it is difficult to replicate the effectiveness of their operations. I am talking about the broadcasting studio. Evolution currently has over 800 tables and this year there will be more than 1,000 whereas Pragmatic Play have only 100.”

Evolution also has a deep portfolio of live casino games and slots. This gives them a competitive advantage on switching costs. Evolution built such a large catalog that all of the players want to play Evolution’s games, therefore, if a gaming operator doesn’t provide Evolution’s games, then a player is very likely to switch to a gaming operator that does have Evolution’s games. Since Evolution’s offering is so good, this puts pressure on the gaming operators to use Evolution as a supplier, despite the high costs that Evolution charges.

The following quotes are from an analyst during an [In Practise interview](#) that compares Pragmatic’s tables to Evolution’s and the stickiness of Evolution’s popular game Crazy Time:

“One of our investment hypotheses is that the industry in the end, will match the quality of Evolution. The problem is that players keep clicking on evolution games because of the look. I have the screenshot of all the dedicated tables from Pragmatic empty – no players at all – and all tables from Evolution are full. It’s not as if it is 30/70; it’s 1/99 on the side of Evolution, so it’s massive. It comes down to this look and feel, to the trust.”

“If you take Crazy Time out of the lobby, people are going to leave.”

Evolution continues to try and make the user experience even better. Evolution CEO Martin Carlesund recently talked about a new lobby that they are rolling out to make it easier for users to select and find games.

Here is what Martin said about the new lobby on the Q1 22 earnings call:

“During the second quarter, Evolution is launching a new fantastic lobby. I cannot not express my excitement for the new lobby, think Amazon, Netflix and you're getting close. It's powerful, seamless, beautiful and who made the end users very happy. The lobby is smart, powerful and personalized and already in April, we are starting to roll out, and the general rollout will be somewhere in June... As stated, I think a little bit like not thinking it a little bit like Amazon, it would be a major step forward for the user experience and selecting and finding the games.”

Due to Evolution’s strong offering they have a lot of pricing power and a high market share. Some of their competitors are Microgaming, Playtech, XPG, and Vivo Gaming but it is estimated that Evolution has over 50% market share in live casino. A recent interview with a former NetEnt director and currently the COO of a large online gaming aggregator estimates that Evolution has 70% market share in live casino.

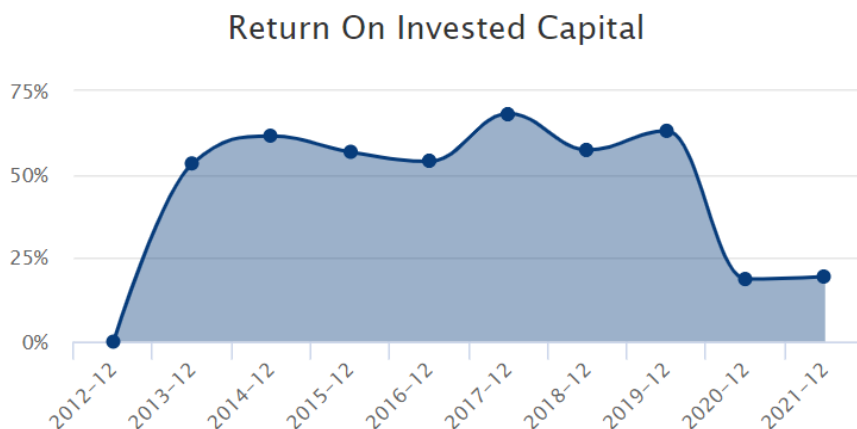
Here is what he said in an [In Practise interview](#):

“[Evolution is] dominant in live casino and still [has] 70% market share, so super solid. Pragmatic are challenging them and Microgaming launched their On Air studio two months ago. Evolution also owns Ezugi which is another live casino provider, so they are dominant. Unfortunately, they dictate the rates because they know operators cannot do without them, so they have a strong position irrespective of what happened in November.”

Return on Invested Capital

Evolution’s return on invested capital substantiates their moat. Evolution’s ROIC has consistently been in double digits. Returns have even been as high as 63.1% in 2019 and 57.3% in 2018. Evolution then made some acquisitions to expand their offering in slots, but these acquisitions brought down returns on capital. As Evolution continues to expand their offerings into new markets, I expect returns on invested capital to steadily increase over the next couple of years.

Exhibit K: High Returns on Invested Capital



Source: Quickfs.net

Exhibit L: Annual Returns on Capital

	2013	2014	2015	2016	2017	2018	2019	2020	2021
ROIC	53.3%	61.5%	56.7%	53.9%	68.2%	57.3%	63.1%	18.7%	19.5%

Source: Quickfs.net

Valuation

At the close of the market on 6/10/22, Evolution ADR shares traded at \$93.49, which is a \$19.9 billion market cap. The amount of revenue, earnings, operating income and free cash flow over the trailing twelve months was \$1.28 billion, \$742.4 million, \$796.8 million, and 720.4 million respectively.

Below is a list of common valuation multiples that show Evolution to be a good buying opportunity at this level, especially considering the high growth opportunities it has ahead of it. In other words, a multiple in the mid 20's is not a bad multiple to pay for a company that has been growing earnings per share at a rate of above 50% over the past three years.

TTM P/S: 15.5x
TTM P/E: 27x
TTM EV/EBIT: 24.4x
TTM P/FCF: 27.6x

Evolution has a wide moat with high margins, operating leverage and a large opportunity ahead of it if it continues to execute well and jurisdictions continue to legalize online gambling. With that being said, I expect Evolution to grow free cash flow at a 15% growth rate over the next five years and I assign a 30x multiple.

This puts free cash flow in five years at \$1.45 billion and at a 30x multiple, Evolution would be trading at \$43.5 billion. Evolution has rarely issued new shares except for 2021 to help fund its acquisition of Big Time Gaming. I don't expect much dilution going forward but I also don't rule it out since it is likely that a target company may want stock in an acquisition. There are also rights through a warrant program

that have been issued to management so I will assume share dilution of 15% over the next five years. This would bring total shares outstanding from 214 million today to 246.1 million in five years.

A market cap of \$43.5 billion with 246.1 million shares outstanding would have a target price per share of \$176.76.

Legal Report

A complaint was filed in a letter to the NJ Division of Gaming Enforcement by an anonymous competitor of Evolution in November 2021 stating that Evolution Gaming is [illegally operating](#) in some markets and doing business in countries that the U.S. imposes sanctions on. Evolution investigated this matter and later denied these claims.

Here is what Martin Carlesund said in Evolution's [year-end report](#) on this matter:

“Towards the end of the quarter, a dubious, anonymous and falsified report with the clear intention to harm Evolution was published. We have over 15 years experience of operations in regulated environments and we are comfortable and confident in our ways of working, our business model as well as in our constant strive to improve in all areas. Evolution is a content provider and we only supply to licensed customers. With the ambition to be even better we will continue to work on all processes in relation to due diligence of our customers and their licensing and regulatory framework. The measures we have taken during the quarter have had insignificant financial effect.”

Since the complaint was from an anonymous competitor, it appears that the complaint was put together just to damage Evolution's reputation. Evolution licenses their offerings to operators who own the relationship between the players. In other words, Evolution has very little control over who is actually playing their games since they don't have the relationship with the player.

The operators that Evolution supplies to such as FanDuel, Draft Kings, MGM, 888, etc. have the relationship with the player. Players have been getting around restrictions that their home countries impose on online gambling for years by using VPNs that mask their location. This issue is not just related to Evolution – it happens across the industry. Another example that comes to mind, that isn't related to Evolution, was the [Hindenburg Research report](#) on SB Tech (owned by DraftKings). Evolution has a very strict compliance policy for the operators that they supply to to make sure their games are only being played in legal markets.

Evolution tries to prevent unauthorized use from happening by screening the operators who they sell to, but preventing it from happening entirely is nearly impossible. Evolution receives traffic reports and if the traffic reports have player locations that are not from legal markets, then Evolution will reach out to the operators to remind them to not operate in illegal markets. Evolution can also issue a cease-and-desist letter to the operator to not supply its games.

This complaint filed to the NJ Division of Gaming Enforcement has only made Evolution even more strict. I don't view this complaint as a risk to Evolution's expansion into the lucrative U.S. market. I view it as more of a small roadblock that they will navigate around. Evolution has a good relationship with the regulators in NJ which they are diligently working hard to keep. There is no incentive for them to sell their offerings to illegal markets because the penalties drastically outweigh the benefits to them.

I expect Evolution to continue working with the regulators as much as possible in order to make sure their licenses to operate in legal markets aren't revoked. When Martin was asked on the most recent earnings call about the effect that this report has had on the business over the last two quarters, Martin's response was, "No material impact."

Risks

1. Todd Haushalter is a key man to the business. His expertise and creativity in developing some of Evolution's most popular offerings pose "key man risk" to the company. In an interview conducted through [In Practise](#), an analyst discussed a conversation he had with management in which management replied, "We give Todd an unlimited budget. We tell him he can work on whatever he wants. There are no deadlines; you can just go crazy."
2. Legalization in U.S. turns out to be slower than expected from states and slower than expected in Latin America. Management is taking a cautious approach to answering these types of questions on earnings calls due to the uncertainty of regulation and due to the risk of upsetting the regulators. The overall theme in the industry is that Latin America and the U.S. will grant licenses for slots and live dealer but the timeline is unknown.
3. Growth slows in Europe and Asia. Martin Carlesund mentioned in the company's last interim report that Europe is in slower growth mode due to regulatory changes affecting operators, but they still see growth opportunities.
4. Evolution has high returns on capital and a large market share. These high returns are attracting more competition into the market. Scientific Games [announced](#) in November 2021 that they will enter the Live Casino market following their acquisition of Authentic Gaming. Other competitors to Evolution in the Live Dealer market are Microgaming, Playtech, XPG, and Vivo Gaming. More competition is likely to follow but as discussed in the Moat section, it will be difficult for these competitors to catch up to Evolution because of the difficulty in perfecting a video stream, matching the trust that Evolution developed with players, Evolution's scale and its switching costs.
5. Evolution earns a fixed fee and a portion of the gaming revenues that the operators earn. The more bets that players make, the higher gross gaming revenues will be and the more revenue that Evolution will make. This poses a cyclical risk to Evolution because if the economy doesn't perform well then there is a risk that players will place less bets.

Conclusion

Any industry that is heavily reliant on government and regulation brings lots of uncertainty with it and, therefore, risks. The iGaming industry is no different. It is very reliant on regulation that is expected to take years in most cases.

When analyzing Evolution though, the good news is that lots of regulation has already been passed, giving Evolution enough opportunity to earn high cash flows from its existing market. **Exhibit M** shows Evolution's free cash flow over the past five years. Even if the market were to stay stagnant, with no more legalization over the next couple years, and players continue placing bets at their current rate, then Evolution still stands to benefit from its current rate of free cash flow generation.

Exhibit M: Free Cash Flow

	2017	2018	2019	2020	2021
Cash Flow from Operations	75	114.6	197.2	386.1	681.6
Cap Ex	-12.5	-20.5	-21.3	-28.4	-37.9
Free Cash Flow	62.5	94.1	175.9	357.7	643.7

Source: Company Filings

It is possible, but I don't expect jurisdictions to start rolling back the regulations that they already passed. The tax revenues have been too high for these jurisdictions to give up, especially after the damage that COVID did to every government's budget.

A reasonable risk to the current cash flows that Evolution is generating would be a decline in player bets due to a slower economy, a real risk right now as the economy is looking more and more fragile each month. At the current valuation of 27x TTM free cash flow, I think Evolution is a good risk/reward bet though, especially with the opportunities they have ahead. Even if the legalization of online gaming is slower than anticipated, the momentum is quickly shifting in Evolution's favor right now with many jurisdictions around the world working on bills to legalize iGaming even if they aren't getting passed right away.

At 27x TTM free cash flow and TTM EPS, and at a forward P/E multiple of 23x, I view Evolution's shares as a buying opportunity at its current share price of \$93.49.